



State of Wisconsin  
2009 - 2010 LEGISLATURE

LRB-1693/1

MES:wjhrs

Stays (Pmr)

DOA:.....Hynek, BB0501 - Populous city pension obligation bonding  
FOR 2009-11 BUDGET -- NOT READY FOR INTRODUCTION

D-NOTE

do not gen

1 AN ACT ...; relating to: unfunded pension liability financing in first class cities.

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*Analysis by the Legislative Reference Bureau*

**LOCAL GOVERNMENT**

This bill authorizes a first class city (presently only Milwaukee) to issue appropriation bonds on a one-time basis, other than refunding bonds, to pay all or any part of the city's unfunded prior service liability with respect to an employee retirement system of the city. "Appropriation bonds" is defined as any bond, note, or other obligation of a city issued as provided in the bill to evidence the city's obligation to repay borrowed money that is payable from various sources, including the following:

1. Moneys annually appropriated by the city for debt service due with respect to the appropriation bonds.
2. Proceeds of the sale of the appropriation bonds.
3. Investment earnings on the items listed above.

Before the city may issue appropriation bonds, however, the city must enact an ordinance to implement a five-year strategic and financial plan related to the payment of unfunded employee retirement benefits. The financial plan shall provide that future annual pension liabilities are funded on a current basis, and the financial plan must contain quantifiable benchmarks to measure compliance with the plan. Annually, the common council must report to the legislature, DOR, DOA, and the governor on a number of issues related to the appropriation bonds, including the city's progress in meeting the benchmarks, whether the city fully funds the normal

cost contribution for its employee retirement system and the amount that the actuary determines is the city's required contribution to that system. If the city does not fully fund the lower of either the required cost contribution for a particular year or the normal cost for that year, DOR must reduce and withhold from the city's shared revenue payments the difference between its required cost contribution and the amount the city actually contributes to the system for that year. DOR must deposit the withheld amount into the city's employee retirement system.

The bill states that a first class city is not generally liable for appropriation bonds, and appropriation bonds are not a debt of the city for any purpose whatsoever. Appropriation bonds, including the principal and interest payments, are payable only from amounts that the common council may, from year to year, appropriate.

A similar statute applies to a county with a population of 500,000 or more (presently only Milwaukee county).

For further information see the *local* fiscal estimate, which will be printed as an appendix to this bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

1        **SECTION 1.** 62.62 of the statutes is created to read:

2        **62.62 Appropriation bonds for payment of employee retirement**  
3 **system liability in 1st class cities. (1) DEFINITIONS.** In this section:

4        (a) "Appropriation bond" means a bond issued by a city to evidence its  
5 obligation to repay a certain amount of borrowed money that is payable from all of  
6 the following:

7        1. Moneys annually appropriated by law for debt service due with respect to  
8 such appropriation bond in that year.

9        2. Proceeds of the sale of such appropriation bonds.

10       3. Payments received for that purpose under agreements and ancillary  
11 arrangements described in s. 62.621.

12       4. Investment earnings on amounts in subds. 1. to 3.

13       (b) "Bond" means any bond, note, or other obligation of a city issued under this  
14 section.

1 (c) "City" means a 1st class city.

2 (d) "Common Council" means the common council of a city.

3 (e) "Refunding bond" means an appropriation bond issued to fund or refund all  
4 or any part of one or more outstanding pension-related bonds.

5 (1m) LEGISLATIVE FINDING AND DETERMINATION. Recognizing that a city, by  
6 prepaying part or all of the city's unfunded prior service liability with respect to an  
7 employee retirement system of the city, may reduce its costs and better ensure the  
8 timely and full payment of retirement benefits to participants and their beneficiaries  
9 under the employee retirement system, the legislature finds and determines that it  
10 is in the public interest for the city to issue appropriation bonds to obtain proceeds  
11 to pay its unfunded prior service liability.

12 (2) AUTHORIZATION OF APPROPRIATION BONDS. (a) A common council shall have  
13 all powers necessary and convenient to carry out its duties, and to exercise its  
14 authority, under this section.

15 (b) Subject to pars. (c) and (d), a common council may issue appropriation bonds  
16 under this section to pay all or any part of the city's unfunded prior service liability  
17 with respect to an employee retirement system of the city, or to fund or refund  
18 outstanding appropriation bonds issued under this section. A city may use proceeds  
19 of appropriation bonds to pay issuance or administrative expenses, to make deposits  
20 to reserve funds, to pay accrued or funded interest, to pay the costs of credit  
21 enhancement, to make payments under other agreements entered into under s.  
22 62.621, or to make deposits to stabilization funds established under s. 62.621.

23 (c) Other than refunding bonds issued under sub. (6), all bonds must be issued  
24 simultaneously.

1 (d) 1. Before a city may issue appropriation bonds under par. (b), its common  
2 council shall enact an ordinance that establishes a 5-year strategic and financial  
3 plan related to the payment of all or any part of the city's unfunded prior service  
4 liability with respect to an employee retirement system of the city. The strategic and  
5 financial plan shall provide that future annual pension liabilities are funded on a  
6 current basis. The strategic and financial plan shall contain quantifiable  
7 benchmarks to measure compliance with the plan. The common council shall make  
8 a determination that the ordinance meets the requirements of this subdivision and,  
9 absent manifest error, the common council's determination shall be conclusive. The  
10 common council shall submit to the governor and to the chief clerk of each house of  
11 the legislature, for distribution to the legislature under s. 13.172 (2), a copy of the  
12 strategic and financial plan.

13 2. Annually, the city shall submit to the governor, the department of revenue,  
14 and the department of administration, and to the chief clerk of each house of the  
15 legislature, for distribution to the legislature under s. 13.172 (2), a report that  
16 includes all of the following:

17 a. The city's progress in meeting the benchmarks in the strategic and financial  
18 plan.

19 b. Any proposed modifications to the plan.

20 c. The status of any stabilization fund that is established under s. 62.622 (3).

21 d. The most current actuarial report related to the city's employee retirement  
22 system.

23 e. The amount, if any, by which the city's contributions to the employee  
24 retirement system for the prior year is less than the normal cost contribution for that

1 year as specified in the initial actuarial report for the city's employee retirement  
2 system for that year.

3 f. The amount that the actuary determines is the city's required contribution  
4 to the employee retirement system for that year.

5 **(2m)** PENALTY FOR INADEQUATE CONTRIBUTION. If the city's contributions to the  
6 employee retirement system for the prior year is less than the lower of the required  
7 contribution for that year, as described in sub. (2) (d) 2. f., or the normal cost for that  
8 year, the department of revenue shall reduce and withhold the amount of the shared  
9 revenue payments to the city under subch. I of ch. 79, in the following year, by an  
10 amount equal to the difference between the required cost contribution for that prior  
11 year and the city's actual contribution in that prior year. The department of revenue  
12 shall deposit the amount of the reduced and withheld shared revenue payment into  
13 the city's employee retirement system.

14 **(3) TERMS.** (a) A city may borrow moneys and issue appropriation bonds in  
15 evidence of the borrowing pursuant to one or more written authorizing resolutions  
16 under sub. (4). Unless otherwise provided in an authorizing resolution, the city may  
17 issue appropriation bonds at any time, in any specific amounts, at any rates of  
18 interest, for any term, payable at any intervals, at any place, in any manner, and  
19 having any other terms or conditions that the common council considers necessary  
20 or desirable. Appropriation bonds may bear interest at variable or fixed rates, bear  
21 no interest, or bear interest payable only at maturity or upon redemption prior to  
22 maturity.

23 (b) The common council may authorize appropriation bonds having any  
24 provisions for prepayment the common council considers necessary or desirable,  
25 including the payment of any premium.

1 (c) Interest shall cease to accrue on an appropriation bond on the date that the  
2 appropriation bond becomes due for payment if payment is made or duly provided  
3 for.

4 (d) All moneys borrowed by a city that is evidenced by appropriation bonds  
5 issued under this section shall be lawful money of the United States, and all  
6 appropriation bonds shall be payable in such money.

7 (e) All appropriation bonds owned or held by a fund of the city are outstanding  
8 in all respects, and the common council or other governing body controlling the fund  
9 shall have the same rights with respect to an appropriation bond as a private party,  
10 but if any sinking fund acquires appropriation bonds that gave rise to such fund, the  
11 appropriation bonds are considered paid for all purposes and no longer outstanding  
12 and shall be canceled as provided in sub. (7) (d).

13 (f) A city shall not be generally liable on appropriation bonds, and  
14 appropriation bonds shall not be a debt of the city for any purpose whatsoever.  
15 Appropriation bonds, including the principal thereof and interest thereon, shall be  
16 payable only from amounts that the common council may, from year to year,  
17 appropriate for the payment thereof.

18 (4) PROCEDURES. (a) No appropriation bonds may be issued by a city unless the  
19 issuance is pursuant to a written authorizing resolution adopted by a majority of a  
20 quorum of the common council. The resolution may be in the form of a resolution or  
21 trust indenture, and shall set forth the aggregate principal amount of appropriation  
22 bonds authorized thereby, the manner of their sale, and the form and terms thereof.  
23 The resolution or trust indenture may establish such funds and accounts, including  
24 a reserve fund, as the common council determines.

1 (b) Appropriation bonds may be sold at either public or private sale and may  
2 be sold at any price or percentage of par value. All appropriation bonds sold at public  
3 sale shall be noticed as provided in the authorizing resolution. Any bid received at  
4 public sale may be rejected.

5 (5) FORM. (a) As determined by the common council, appropriation bonds may  
6 be issued in book-entry form or in certificated form. Notwithstanding s. 403.104 (1),  
7 every evidence of appropriation bond is a negotiable instrument.

8 (b) Every appropriation bond shall be executed in the name of and for the city  
9 by the president of the common council and city clerk, and shall be sealed with the  
10 seal of the city, if any. Facsimile signatures of either officer may be imprinted in lieu  
11 of manual signatures, but the signature of at least one such officer shall be manual.  
12 An appropriation bond bearing the manual or facsimile signature of a person in office  
13 at the same time the signature was signed or imprinted shall be fully valid  
14 notwithstanding that before or after the delivery of such appropriation bond the  
15 person ceased to hold such office.

X  
\*\*\*\*NOTE: Is "president of the common council" OK? Do you want it to be the mayor?

16 (c) Every appropriation bond shall be dated not later than the date it is issued,  
17 shall contain a reference by date to the appropriate authorizing resolution, shall  
18 state the limitation established in sub. (3) (f), and shall be in accordance with the  
19 appropriate authorizing resolution in all respects.

20 (d) An appropriation bond shall be substantially in such form and contain such  
21 statements or terms as determined by the common council, and may not conflict with  
22 law or with the appropriate authorizing resolution.

23 (6) REFUNDING BONDS. (a) 1. A common council may authorize the issuance of  
24 refunding appropriation bonds. Refunding appropriation bonds may be issued,

1 subject to any contract rights vested in owners of the appropriation bonds being  
2 refunded, to refund all or any part of one or more issues of appropriation bonds  
3 notwithstanding that the appropriation bonds may have been issued at different  
4 times or issues of general obligation promissory notes under s. 67.12 (12) were issued  
5 to pay unfunded prior service liability with respect to an employee retirement  
6 system. The principal amount of the refunding appropriation bonds may not exceed  
7 the sum of: the principal amount of the appropriation bonds or general obligation  
8 promissory notes being refunded; applicable redemption premiums; unpaid interest  
9 on the refunded appropriation bonds or general obligation promissory notes to the  
10 date of delivery or exchange of the refunding appropriation bonds; in the event the  
11 proceeds are to be deposited in trust as provided in par. (c), interest to accrue on the  
12 appropriation bonds or general obligation promissory notes to be refunded from the  
13 date of delivery to the date of maturity or to the redemption date selected by the  
14 common council, whichever is earlier; and the expenses incurred in the issuance of  
15 the refunding appropriation bonds and the payment of the refunded appropriation  
16 bonds or general obligation promissory notes.

17 2. A common council may authorize the issuance of general obligation  
18 promissory notes under s. 67.12 (12) (a) to refund appropriation bonds,  
19 notwithstanding s. 67.01 (9) (intro.).

20 (b) If a common council determines to exchange refunding appropriation bonds,  
21 they may be exchanged privately for, and in payment and discharge of, any of the  
22 outstanding appropriation bonds being refunded. Refunding appropriation bonds  
23 may be exchanged for such principal amount of the appropriation bonds being  
24 exchanged therefor as may be determined by the common council to be necessary or  
25 desirable. The owners of the appropriation bonds being refunded who elect to



1 exchange need not pay accrued interest on the refunding appropriation bonds if and  
2 to the extent that interest is accrued and unpaid on the appropriation bonds being  
3 refunded and to be surrendered. If any of the appropriation bonds to be refunded are  
4 to be called for redemption, the common council shall determine which redemption  
5 dates are to be used, if more than one date is applicable and shall, prior to the  
6 issuance of the refunding appropriation bonds, provide for notice of redemption to be  
7 given in the manner and at the times required by the resolution authorizing the  
8 appropriation bonds to be refunded.

9 (c) 1. The principal proceeds from the sale of any refunding appropriation bonds  
10 shall be applied either to the immediate payment and retirement of the  
11 appropriation bonds or general obligation promissory notes being refunded or, if the  
12 bonds or general obligation promissory notes have not matured and are not presently  
13 redeemable, to the creation of a trust for, and shall be pledged to the payment of, the  
14 appropriation bonds or general obligation promissory notes being refunded.

15 2. If a trust is created, a separate deposit shall be made for each issue of  
16 appropriation bonds or general obligation promissory notes being refunded. Each  
17 deposit shall be with a bank or trust company authorized by the laws of the United  
18 States or of a state in which it is located to conduct banking or trust company  
19 business. If the total amount of any deposit, including moneys other than sale  
20 proceeds but legally available for such purpose, is less than the principal amount of  
21 the appropriation bonds or general obligation promissory notes being refunded and  
22 for the payment of which the deposit has been created and pledged, together with  
23 applicable redemption premiums and interest accrued and to accrue to maturity or  
24 to the date of redemption, then the application of the sale proceeds shall be legally  
25 sufficient only if the moneys deposited are invested in securities issued by the United

1 States or one of its agencies, or securities fully guaranteed by the United States, and  
2 only if the principal amount of the securities at maturity and the income therefrom  
3 to maturity will be sufficient and available, without the need for any further  
4 investment or reinvestment, to pay at maturity or upon redemption the principal  
5 amount of the appropriation bonds or general obligation promissory notes being  
6 refunded together with applicable redemption premiums and interest accrued and  
7 to accrue to maturity or to the date of redemption. The income from the principal  
8 proceeds of the securities shall be applied solely to the payment of the principal of  
9 and interest and redemption premiums on the appropriation bonds or general  
10 obligation promissory notes being refunded, but provision may be made for the  
11 pledging and disposition of any surplus.

12 3. Nothing in this paragraph may be construed as a limitation on the duration  
13 of any deposit in trust for the retirement of appropriation bonds or general obligation  
14 promissory notes being refunded that have not matured and that are not presently  
15 redeemable. Nothing in this paragraph may be constructed to prohibit reinvestment  
16 of the income of a trust if the reinvestments will mature at such times that sufficient  
17 moneys will be available to pay interest, applicable premiums, and principal on the  
18 appropriation bonds or general obligation promissory notes being refunded.

19 (7) FISCAL REGULATIONS. (a) All appropriation bonds shall be registered by the  
20 city clerk or city treasurer of the city issuing the appropriation bonds, or such other  
21 officers or agents, including fiscal agents, as the common council may determine.  
22 After registration, no transfer of an appropriation bond is valid unless made by the  
23 registered owner's duly authorized attorney, on the records of the city and similarly  
24 noted on the appropriation bond. The city may treat the registered owner as the  
25 owner of the appropriation bond for all purposes. Payments of principal and interest

1 shall be by electronic funds transfer, check, share draft, or other draft to the  
2 registered owner at the owner's address as it appears on the register, unless the  
3 common council has otherwise provided. Information in the register is not available  
4 for inspection and copying under s. 19.35 (1). The common council may make any  
5 other provision respecting registration as it considers necessary or desirable.

6 (b) The common council may appoint one or more trustees or fiscal agents for  
7 each issue of appropriation bonds. The city treasurer may be designated as the  
8 trustee and the sole fiscal agent or as cofiscal agent for any issue of appropriation  
9 bonds. Every other fiscal agent shall be an incorporated bank or trust company  
10 authorized by the laws of the United States or of the state in which it is located to  
11 conduct banking or trust company business. There may be deposited with a trustee,  
12 in a special account, moneys to be used only for the purposes expressly provided in  
13 the resolution authorizing the issuance of appropriation bonds or an agreement  
14 between the city and the trustee. The common council may make other provisions  
15 respecting trustees and fiscal agents as the common council considers necessary or  
16 desirable and may enter into contracts with any trustee or fiscal agent containing  
17 such terms, including compensation, and conditions in regard to the trustee or fiscal  
18 agent as the common council considers necessary or desirable.

19 (c) If any appropriation bond is destroyed, lost, or stolen, the city shall execute  
20 and deliver a new appropriation bond, upon filing with the common council evidence  
21 satisfactory to the common council that the appropriation bond has been destroyed,  
22 lost, or stolen, upon providing proof of ownership thereof, and upon furnishing the  
23 common council with indemnity satisfactory to it and complying with such other  
24 rules of the city and paying any expenses that the city may incur. The common  
25 council shall cancel the appropriation bond surrendered to the city.

1 (d) Unless otherwise directed by the common council, every appropriation bond  
2 paid or otherwise retired shall be marked "canceled" and delivered to the city  
3 treasurer, or to such other fiscal agent as applicable with respect to the appropriation  
4 bond, who shall destroy them and deliver a certificate to that effect to the city clerk.

5 (8) APPROPRIATION BONDS AS LEGAL INVESTMENTS. Any of the following may  
6 legally invest any sinking funds, moneys, or other funds belonging to them or under  
7 their control in any appropriation bonds issued under this section:

8 (a) The state, the investment board, public officers, municipal corporations,  
9 political subdivisions, and public bodies.

10 (b) Banks and bankers, savings and loan associations, credit unions, trust  
11 companies, savings banks and institutions, investment companies, insurance  
12 companies, insurance associations, and other persons carrying on a banking or  
13 insurance business.

14 (c) Personal representatives, guardians, trustees, and other fiduciaries.

15 (9) MORAL OBLIGATION PLEDGE. If the common council considers it necessary or  
16 desirable to do so, it may express in a resolution authorizing appropriation bonds its  
17 expectation and aspiration to make timely appropriations sufficient to pay the  
18 principal and interest due with respect to such appropriation bonds, to make  
19 deposits into a reserve fund created under sub. (4) (a) with respect to such  
20 appropriation bonds, to make payments under any agreement or ancillary  
21 arrangement entered into under s. 62.621 with respect to such appropriation bonds,  
22 to make deposits into any stabilization fund established or continued under s. 62.622  
23 with respect to such appropriation bonds, or to pay related issuance or  
24 administrative expenses.

1           (10) APPLICABILITY. This section does not apply if a city does not issue  
2       appropriation bonds as authorized under sub. (2).

3           **SECTION 2.** 62.621 of the statutes is created to read:

4           **62.621 Agreements and ancillary arrangements for certain notes and**  
5       **appropriation bonds.** At the time of issuance or in anticipation of the issuance of  
6       appropriation bonds under s. 62.62, or general obligation promissory notes under s.  
7       67.12 (12), to pay unfunded prior service liability with respect to an employee  
8       retirement system, or at any time thereafter so long as the appropriation bonds or  
9       general obligation promissory notes are outstanding, a 1st class city may enter into  
10      agreements or ancillary arrangements relating to the appropriation bonds or general  
11      obligation promissory notes, including trust indentures, liquidity facilities,  
12      remarketing or dealer agreements, letters of credit, insurance policies, guaranty  
13      agreements, reimbursement agreements, indexing agreements, and interest  
14      exchange agreements. Any payments made or amounts received with respect to any  
15      such agreement or ancillary arrangement shall be made from or deposited as  
16      provided in the agreement or ancillary arrangement.

17          **SECTION 3.** 62.622 of the statutes is created to read:

18          **62.622 Employee retirement system liability financing in 1st class**  
19      **cities; additional powers. (1) DEFINITIONS.** In this section:

20           (a) "City" means a 1st class city.

21           (b) "Common council" means the common council of a city.

22           (c) "Pension funding plan" means a strategic and financial plan related to the  
23      payment of all or part of a city's unfunded prior service liability with respect to an  
24      employee retirement system.

1 (d) "Trust" means a common law trust organized under the laws of this state,  
2 by the city, as settlor, pursuant to a formal, written, declaration of trust.

3 (2) SPECIAL FINANCING ENTITIES, FUNDS, AND ACCOUNTS. (a) To facilitate a pension  
4 funding plan and in furtherance thereof, a common council may create one or more  
5 of the following:

6 1. A trust.

7 2. A nonstock corporation under ch. 181.

8 3. A limited liability company under ch. 183.

9 4. A special fund or account of the city.

10 (b) An entity described under par. (a) has all of the powers provided to it under  
11 applicable law and the documents pursuant to which it is created and established.  
12 The powers shall be construed broadly in favor of effectuating the purposes for which  
13 the entity is created. A city may appropriate funds to such entities and to such funds  
14 and accounts, under terms and conditions established by the common council,  
15 consistent with the purposes for which they are created and established.

16 (3) STABILIZATION FUNDS. (a) To facilitate a pension funding plan a common  
17 council may establish a stabilization fund. Any such fund may be created as a trust,  
18 a special fund or account of the city established by a separate resolution or ordinance,  
19 or a fund or account created under an authorizing resolution or trust indenture in  
20 connection with the authorization and issuance of appropriation bonds under s.  
21 62.62 or general obligation promissory notes under s. 67.12 (12). A city may  
22 appropriate funds for deposit to a stabilization fund established under this  
23 subsection.

24 (b) Moneys in a stabilization fund established under this subsection may be  
25 used, subject to annual appropriation by the common council, solely to pay principal

1 or interest on appropriation bonds issued under s. 62.62 and general obligation  
2 promissory notes under s. 67.12 (12) issued in connection with a pension funding  
3 plan, for the redemption or repurchase of such appropriation bonds or general  
4 obligation promissory notes, to make payments under any agreement or ancillary  
5 arrangement entered into under s. 62.621 with respect to such appropriation bonds  
6 or general obligation promissory notes, or to pay annual pension costs other than  
7 normal costs. Moneys on deposit in a stabilization fund may not be subject to any  
8 claims, demands, or actions by, or transfers or assignments to, any creditor of the city,  
9 any beneficiary of the city's employee retirement system, or any other person, on  
10 terms other than as may be established in the resolution or ordinance creating the  
11 stabilization fund. Moneys on deposit in a stabilization fund established under this  
12 subsection may be invested and reinvested in the manner directed by the common  
13 council or pursuant to delegation by the common council as provided under s. 66.0603  
14 (5).

15 **SECTION 4.** 66.0602 (3) (d) 5. of the statutes is created to read:

16 66.0602 (3) (d) 5. The limit otherwise applicable under this section does not  
17 apply to amounts levied by a 1st class city for the payment of debt service on  
18 appropriation bonds issued under s. 62.62, including debt service on appropriation  
19 bonds issued to fund or refund outstanding appropriation bonds of the city, to pay  
20 related issuance costs or redemption premiums, or to make payments with respect  
21 to agreements or ancillary arrangements authorized under s. 62.621.

22 **SECTION 5.** 66.0603 (1m) (f) of the statutes is created to read:

23 66.0603 (1m) (f) Subject to s. 67.11 (2) with respect to funds on deposit in a debt  
24 service fund for general obligation promissory notes issued under s. 67.12 (12), a 1st  
25 class city, or a person to whom the city has delegated investment authority under sub.

(5), may invest and reinvest in the same manner as is authorized for investments and reinvestments under s. 881.01, any of the following:

1. Moneys held in any stabilization fund established under s. 62.622 (3).

2. Moneys held in a fund or account, including any reserve fund, created in connection with the issuance of appropriation bonds under s. 62.62 or general obligation promissory notes under s. 67.12 (12) issued to provide funds for the payment of all or a part of the city's unfunded prior service liability.

3. Moneys appropriated or held by the city to pay debt service on appropriation bonds or general obligation promissory notes under s. 67.12 (12).

4. Moneys constituting proceeds of appropriation bonds or general obligation promissory notes described in subd. 2. that are available for investment until they are spent.

5. Moneys held in an employee retirement system of the city.

**SECTION 6.** 66.0603 (5) (intro.) and (a) of the statutes are amended to read:

66.0603 (5) DELEGATION OF INVESTMENT AUTHORITY IN CONNECTION WITH PENSION FINANCING IN POPULOUS CITIES AND COUNTIES. (intro.) The governing ~~board~~ body of a county having a population of 500,000 or more, or a 1st class city, may delegate investment authority over any of the moneys described in sub. (1m) (e) or (f) to any of the following persons, which shall be responsible for the general administration and proper operation of the county's or city's employee retirement system, subject to the ~~board's~~ governing body's finding that such person has expertise in the field of investments:

(a) A public board that is organized for such purpose under county or city ordinances.

**SECTION 7.** 67.01 (9) (intro.) of the statutes is amended to read:



1           67.01 (9) (intro.) This chapter is not applicable to appropriation bonds issued  
2           by a county under s. 59.85 or by a 1st class city under s. 62.62 and, except ss. 67.08  
3           (1), 67.09 and 67.10, is not applicable:

4           **SECTION 8.** 67.05 (5) (b) of the statutes is amended to read:

5           67.05 (5) (b) No city or village may issue bonds for any purposes other than for  
6           water systems, lighting works, gas works, bridges, street lighting, street  
7           improvements, street improvement funding, hospitals, airports, harbor  
8           improvements, river improvements, breakwaters and protection piers, sewerage,  
9           garbage disposal, rubbish or refuse disposal, any combination of sewage, garbage or  
10          refuse or rubbish disposal, parks and public grounds, swimming pools and band  
11          shells, veterans housing projects, paying the municipality's portion of the cost of  
12          abolishing grade crossings, for the construction of police facilities and combined fire  
13          and police safety buildings, for the purchase of sites for engine houses, for fire  
14          engines and other equipment of the fire department, for construction of engine  
15          houses, and for pumps, water mains, reservoirs and all other reasonable facilities for  
16          fire protection apparatus or equipment for fire protection, for parking lots or other  
17          parking facilities, for school purposes, for libraries, for buildings for the housing of  
18          machinery and equipment, for acquiring and developing sites for industry and  
19          commerce as will expand the municipal tax base, for financing the cost of  
20          low-interest mortgage loans under s. 62.237, for providing financial assistance to  
21          blight elimination, slum clearance, community development, redevelopment and  
22          urban renewal programs and projects under ss. 66.1105, 66.1301 to 66.1329 and  
23          66.1331 to 66.1337, to issue appropriation bonds under s. 62.62 to pay unfunded prior  
24          service liability with respect to an employee retirement system, or for University of  
25          Wisconsin System college campuses, as defined in s. 36.05 (6m), until the proposition

1 for their issue for the special purpose has been submitted to the electors of the city  
2 or village and adopted by a majority vote. Except as provided under sub. (15), if the  
3 common council of a city or the village board of a village declares its purpose to raise  
4 money by issuing bonds for any purpose other than those specified in this subsection,  
5 it shall direct by resolution, which shall be recorded at length in the record of its  
6 proceedings, the clerk to call a special election for the purpose of submitting the  
7 question of bonding to the city or village electors. If a number of electors of a city or  
8 village equal to at least 15% of the votes cast for governor at the last general election  
9 in their city or village sign and file a petition conforming to the requirements of s. 8.40  
10 with the city or village clerk requesting submission of the resolution, the city or  
11 village may not issue bonds for financing the cost of low-interest mortgage loans  
12 under s. 62.237 without calling a special election to submit the question of bonding  
13 to the city or village electors for their approval.

\*\*\*\*NOTE: The amendment of this provision is based on s. 67.045 (1) (g), which allows a county to issue bonds under s. 67.05 or notes under s. 67.12 (12) without a referendum. Is this consistent with your intent?

It doesn't seem to me that the referendum requirements would apply anyway because s. 67.01 (9) (intro.) states that the whole chapter does not apply to bonds issued under s. 62.62, although bond counsel, presumably, asked for s. 67.045 (1) (g) to be drafted in 2007 SB 366 even though ch. 67 did not apply to bonds issued under s. 59.85. See s. 67.01 (9) (intro.).

14 **SECTION 9.** 67.12 (12) (a) of the statutes is amended to read:

15 67.12 (12) (a) Any municipality may issue promissory notes as evidence of  
16 indebtedness for any public purpose, as defined in s. 67.04 (1) (b), including but not  
17 limited to paying any general and current municipal expense, and refunding any  
18 municipal obligations, including interest on them. Each note, plus interest if any,  
19 shall be repaid within 10 years after the original date of the note, except that notes  
20 issued under this section for purposes of ss. 119.498, 145.245 (12m), 281.58, 281.59,

1 281.60, 281.61, and 292.72 issued to raise funds to pay a portion of the capital costs  
2 of a metropolitan sewerage district, or issued by a 1st class city or a county having  
3 a population of 500,000 or more, to pay unfunded prior service liability with respect  
4 to an employee retirement system, shall be repaid within 20 years after the original  
5 date of the note.

6 (END)

Hynek  
Sara Hynek:

D-NOTE

Date

LRB-1693/1dn

This version of the draft makes  
no changes other than removing  
some "\*\*\*\*\*<sup>CS</sup>NOTES."

M3J

**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-1693/2dn  
MES:wlj:rs

February 3, 2009

Sara Hynek:

This version of the draft makes no changes other than removing some "\*\*\*\*NOTES."

Marc E. Shovers  
Managing Attorney  
Phone: (608) 266-0129  
E-mail: [marc.shovers@legis.wisconsin.gov](mailto:marc.shovers@legis.wisconsin.gov)



State of Wisconsin  
2009 - 2010 LEGISLATURE

LRB-1693/2

MES:wlj:rs

DOA:.....Hynek, BB0501 - Populous city pension obligation bonding  
FOR 2009-11 BUDGET -- NOT READY FOR INTRODUCTION

1 **AN ACT ...; relating to:** unfunded pension liability financing in first class cities.

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*Analysis by the Legislative Reference Bureau*

**LOCAL GOVERNMENT**

This bill authorizes a first class city (presently only Milwaukee) to issue appropriation bonds on a one-time basis, other than refunding bonds, to pay all or any part of the city's unfunded prior service liability with respect to an employee retirement system of the city. "Appropriation bonds" is defined as any bond, note, or other obligation of a city issued as provided in the bill to evidence the city's obligation to repay borrowed money that is payable from various sources, including the following:

1. Moneys annually appropriated by the city for debt service due with respect to the appropriation bonds.
2. Proceeds of the sale of the appropriation bonds.
3. Investment earnings on the items listed above.

Before the city may issue appropriation bonds, however, the city must enact an ordinance to implement a five-year strategic and financial plan related to the payment of unfunded employee retirement benefits. The financial plan shall provide that future annual pension liabilities are funded on a current basis, and the financial plan must contain quantifiable benchmarks to measure compliance with the plan. Annually, the common council must report to the legislature, DOR, DOA, and the governor on a number of issues related to the appropriation bonds, including the city's progress in meeting the benchmarks, whether the city fully funds the normal

cost contribution for its employee retirement system and the amount that the actuary determines is the city's required contribution to that system. If the city does not fully fund the lower of either the required cost contribution for a particular year or the normal cost for that year, DOR must reduce and withhold from the city's shared revenue payments the difference between its required cost contribution and the amount the city actually contributes to the system for that year. DOR must deposit the withheld amount into the city's employee retirement system.

The bill states that a first class city is not generally liable for appropriation bonds, and appropriation bonds are not a debt of the city for any purpose whatsoever. Appropriation bonds, including the principal and interest payments, are payable only from amounts that the common council may, from year to year, appropriate.

A similar statute applies to a county with a population of 500,000 or more (presently only Milwaukee county).

For further information see the *local* fiscal estimate, which will be printed as an appendix to this bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

1        **SECTION 1.** 62.62 of the statutes is created to read:

2        **62.62 Appropriation bonds for payment of employee retirement**  
3        **system liability in 1st class cities. (1) DEFINITIONS.** In this section:

4        (a) "Appropriation bond" means a bond issued by a city to evidence its  
5        obligation to repay a certain amount of borrowed money that is payable from all of  
6        the following:

7            1. Moneys annually appropriated by law for debt service due with respect to  
8            such appropriation bond in that year.

9            2. Proceeds of the sale of such appropriation bonds.

10          3. Payments received for that purpose under agreements and ancillary  
11          arrangements described in s. 62.621.

12          4. Investment earnings on amounts in subds. 1. to 3.

13          (b) "Bond" means any bond, note, or other obligation of a city issued under this  
14          section.

1 (c) "City" means a 1st class city.

2 (d) "Common Council" means the common council of a city.

3 (e) "Refunding bond" means an appropriation bond issued to fund or refund all  
4 or any part of one or more outstanding pension-related bonds.

5 (1m) LEGISLATIVE FINDING AND DETERMINATION. Recognizing that a city, by  
6 prepaying part or all of the city's unfunded prior service liability with respect to an  
7 employee retirement system of the city, may reduce its costs and better ensure the  
8 timely and full payment of retirement benefits to participants and their beneficiaries  
9 under the employee retirement system, the legislature finds and determines that it  
10 is in the public interest for the city to issue appropriation bonds to obtain proceeds  
11 to pay its unfunded prior service liability.

12 (2) AUTHORIZATION OF APPROPRIATION BONDS. (a) A common council shall have  
13 all powers necessary and convenient to carry out its duties, and to exercise its  
14 authority, under this section.

15 (b) Subject to pars. (c) and (d), a common council may issue appropriation bonds  
16 under this section to pay all or any part of the city's unfunded prior service liability  
17 with respect to an employee retirement system of the city, or to fund or refund  
18 outstanding appropriation bonds issued under this section. A city may use proceeds  
19 of appropriation bonds to pay issuance or administrative expenses, to make deposits  
20 to reserve funds, to pay accrued or funded interest, to pay the costs of credit  
21 enhancement, to make payments under other agreements entered into under s.  
22 62.621, or to make deposits to stabilization funds established under s. 62.621.

23 (c) Other than refunding bonds issued under sub. (6), all bonds must be issued  
24 simultaneously.

1 (d) 1. Before a city may issue appropriation bonds under par. (b), its common  
2 council shall enact an ordinance that establishes a 5-year strategic and financial  
3 plan related to the payment of all or any part of the city's unfunded prior service  
4 liability with respect to an employee retirement system of the city. The strategic and  
5 financial plan shall provide that future annual pension liabilities are funded on a  
6 current basis. The strategic and financial plan shall contain quantifiable  
7 benchmarks to measure compliance with the plan. The common council shall make  
8 a determination that the ordinance meets the requirements of this subdivision and,  
9 absent manifest error, the common council's determination shall be conclusive. The  
10 common council shall submit to the governor and to the chief clerk of each house of  
11 the legislature, for distribution to the legislature under s. 13.172 (2), a copy of the  
12 strategic and financial plan.

13 2. Annually, the city shall submit to the governor, the department of revenue,  
14 and the department of administration, and to the chief clerk of each house of the  
15 legislature, for distribution to the legislature under s. 13.172 (2), a report that  
16 includes all of the following:

17 a. The city's progress in meeting the benchmarks in the strategic and financial  
18 plan.

19 b. Any proposed modifications to the plan.

20 c. The status of any stabilization fund that is established under s. 62.622 (3).

21 d. The most current actuarial report related to the city's employee retirement  
22 system.

23 e. The amount, if any, by which the city's contributions to the employee  
24 retirement system for the prior year is less than the normal cost contribution for that



1 year as specified in the initial actuarial report for the city's employee retirement  
2 system for that year.

3 f. The amount that the actuary determines is the city's required contribution  
4 to the employee retirement system for that year.

5 **(2m)** PENALTY FOR INADEQUATE CONTRIBUTION. If the city's contributions to the  
6 employee retirement system for the prior year is less than the lower of the required  
7 contribution for that year, as described in sub. (2) (d) 2. f., or the normal cost for that  
8 year, the department of revenue shall reduce and withhold the amount of the shared  
9 revenue payments to the city under subch. I of ch. 79, in the following year, by an  
10 amount equal to the difference between the required cost contribution for that prior  
11 year and the city's actual contribution in that prior year. The department of revenue  
12 shall deposit the amount of the reduced and withheld shared revenue payment into  
13 the city's employee retirement system.

14 **(3) TERMS.** (a) A city may borrow moneys and issue appropriation bonds in  
15 evidence of the borrowing pursuant to one or more written authorizing resolutions  
16 under sub. (4). Unless otherwise provided in an authorizing resolution, the city may  
17 issue appropriation bonds at any time, in any specific amounts, at any rates of  
18 interest, for any term, payable at any intervals, at any place, in any manner, and  
19 having any other terms or conditions that the common council considers necessary  
20 or desirable. Appropriation bonds may bear interest at variable or fixed rates, bear  
21 no interest, or bear interest payable only at maturity or upon redemption prior to  
22 maturity.

23 (b) The common council may authorize appropriation bonds having any  
24 provisions for prepayment the common council considers necessary or desirable,  
25 including the payment of any premium.

1 (c) Interest shall cease to accrue on an appropriation bond on the date that the  
2 appropriation bond becomes due for payment if payment is made or duly provided  
3 for.

4 (d) All moneys borrowed by a city that is evidenced by appropriation bonds  
5 issued under this section shall be lawful money of the United States, and all  
6 appropriation bonds shall be payable in such money.

7 (e) All appropriation bonds owned or held by a fund of the city are outstanding  
8 in all respects, and the common council or other governing body controlling the fund  
9 shall have the same rights with respect to an appropriation bond as a private party,  
10 but if any sinking fund acquires appropriation bonds that gave rise to such fund, the  
11 appropriation bonds are considered paid for all purposes and no longer outstanding  
12 and shall be canceled as provided in sub. (7) (d).

13 (f) A city shall not be generally liable on appropriation bonds, and  
14 appropriation bonds shall not be a debt of the city for any purpose whatsoever.  
15 Appropriation bonds, including the principal thereof and interest thereon, shall be  
16 payable only from amounts that the common council may, from year to year,  
17 appropriate for the payment thereof.

18 (4) PROCEDURES. (a) No appropriation bonds may be issued by a city unless the  
19 issuance is pursuant to a written authorizing resolution adopted by a majority of a  
20 quorum of the common council. The resolution may be in the form of a resolution or  
21 trust indenture, and shall set forth the aggregate principal amount of appropriation  
22 bonds authorized thereby, the manner of their sale, and the form and terms thereof.  
23 The resolution or trust indenture may establish such funds and accounts, including  
24 a reserve fund, as the common council determines.

1 (b) Appropriation bonds may be sold at either public or private sale and may  
2 be sold at any price or percentage of par value. All appropriation bonds sold at public  
3 sale shall be noticed as provided in the authorizing resolution. Any bid received at  
4 public sale may be rejected.

5 (5) FORM. (a) As determined by the common council, appropriation bonds may  
6 be issued in book-entry form or in certificated form. Notwithstanding s. 403.104 (1),  
7 every evidence of appropriation bond is a negotiable instrument.

8 (b) Every appropriation bond shall be executed in the name of and for the city  
9 by the president of the common council and city clerk, and shall be sealed with the  
10 seal of the city, if any. Facsimile signatures of either officer may be imprinted in lieu  
11 of manual signatures, but the signature of at least one such officer shall be manual.  
12 An appropriation bond bearing the manual or facsimile signature of a person in office  
13 at the same time the signature was signed or imprinted shall be fully valid  
14 notwithstanding that before or after the delivery of such appropriation bond the  
15 person ceased to hold such office.

16 (c) Every appropriation bond shall be dated not later than the date it is issued,  
17 shall contain a reference by date to the appropriate authorizing resolution, shall  
18 state the limitation established in sub. (3) (f), and shall be in accordance with the  
19 appropriate authorizing resolution in all respects.

20 (d) An appropriation bond shall be substantially in such form and contain such  
21 statements or terms as determined by the common council, and may not conflict with  
22 law or with the appropriate authorizing resolution.

23 (6) REFUNDING BONDS. (a) 1. A common council may authorize the issuance of  
24 refunding appropriation bonds. Refunding appropriation bonds may be issued,  
25 subject to any contract rights vested in owners of the appropriation bonds being

1 refunded, to refund all or any part of one or more issues of appropriation bonds  
2 notwithstanding that the appropriation bonds may have been issued at different  
3 times or issues of general obligation promissory notes under s. 67.12 (12) were issued  
4 to pay unfunded prior service liability with respect to an employee retirement  
5 system. The principal amount of the refunding appropriation bonds may not exceed  
6 the sum of: the principal amount of the appropriation bonds or general obligation  
7 promissory notes being refunded; applicable redemption premiums; unpaid interest  
8 on the refunded appropriation bonds or general obligation promissory notes to the  
9 date of delivery or exchange of the refunding appropriation bonds; in the event the  
10 proceeds are to be deposited in trust as provided in par. (c), interest to accrue on the  
11 appropriation bonds or general obligation promissory notes to be refunded from the  
12 date of delivery to the date of maturity or to the redemption date selected by the  
13 common council, whichever is earlier; and the expenses incurred in the issuance of  
14 the refunding appropriation bonds and the payment of the refunded appropriation  
15 bonds or general obligation promissory notes.

16 2. A common council may authorize the issuance of general obligation  
17 promissory notes under s. 67.12 (12) (a) to refund appropriation bonds,  
18 notwithstanding s. 67.01 (9) (intro.).

19 (b) If a common council determines to exchange refunding appropriation bonds,  
20 they may be exchanged privately for, and in payment and discharge of, any of the  
21 outstanding appropriation bonds being refunded. Refunding appropriation bonds  
22 may be exchanged for such principal amount of the appropriation bonds being  
23 exchanged therefor as may be determined by the common council to be necessary or  
24 desirable. The owners of the appropriation bonds being refunded who elect to  
25 exchange need not pay accrued interest on the refunding appropriation bonds if and

1 to the extent that interest is accrued and unpaid on the appropriation bonds being  
2 refunded and to be surrendered. If any of the appropriation bonds to be refunded are  
3 to be called for redemption, the common council shall determine which redemption  
4 dates are to be used, if more than one date is applicable and shall, prior to the  
5 issuance of the refunding appropriation bonds, provide for notice of redemption to be  
6 given in the manner and at the times required by the resolution authorizing the  
7 appropriation bonds to be refunded.

8 (c) 1. The principal proceeds from the sale of any refunding appropriation bonds  
9 shall be applied either to the immediate payment and retirement of the  
10 appropriation bonds or general obligation promissory notes being refunded or, if the  
11 bonds or general obligation promissory notes have not matured and are not presently  
12 redeemable, to the creation of a trust for, and shall be pledged to the payment of, the  
13 appropriation bonds or general obligation promissory notes being refunded.

14 2. If a trust is created, a separate deposit shall be made for each issue of  
15 appropriation bonds or general obligation promissory notes being refunded. Each  
16 deposit shall be with a bank or trust company authorized by the laws of the United  
17 States or of a state in which it is located to conduct banking or trust company  
18 business. If the total amount of any deposit, including moneys other than sale  
19 proceeds but legally available for such purpose, is less than the principal amount of  
20 the appropriation bonds or general obligation promissory notes being refunded and  
21 for the payment of which the deposit has been created and pledged, together with  
22 applicable redemption premiums and interest accrued and to accrue to maturity or  
23 to the date of redemption, then the application of the sale proceeds shall be legally  
24 sufficient only if the moneys deposited are invested in securities issued by the United  
25 States or one of its agencies, or securities fully guaranteed by the United States, and

1 only if the principal amount of the securities at maturity and the income therefrom  
2 to maturity will be sufficient and available, without the need for any further  
3 investment or reinvestment, to pay at maturity or upon redemption the principal  
4 amount of the appropriation bonds or general obligation promissory notes being  
5 refunded together with applicable redemption premiums and interest accrued and  
6 to accrue to maturity or to the date of redemption. The income from the principal  
7 proceeds of the securities shall be applied solely to the payment of the principal of  
8 and interest and redemption premiums on the appropriation bonds or general  
9 obligation promissory notes being refunded, but provision may be made for the  
10 pledging and disposition of any surplus.

11 3. Nothing in this paragraph may be construed as a limitation on the duration  
12 of any deposit in trust for the retirement of appropriation bonds or general obligation  
13 promissory notes being refunded that have not matured and that are not presently  
14 redeemable. Nothing in this paragraph may be constructed to prohibit reinvestment  
15 of the income of a trust if the reinvestments will mature at such times that sufficient  
16 moneys will be available to pay interest, applicable premiums, and principal on the  
17 appropriation bonds or general obligation promissory notes being refunded.

18 (7) FISCAL REGULATIONS. (a) All appropriation bonds shall be registered by the  
19 city clerk or city treasurer of the city issuing the appropriation bonds, or such other  
20 officers or agents, including fiscal agents, as the common council may determine.  
21 After registration, no transfer of an appropriation bond is valid unless made by the  
22 registered owner's duly authorized attorney, on the records of the city and similarly  
23 noted on the appropriation bond. The city may treat the registered owner as the  
24 owner of the appropriation bond for all purposes. Payments of principal and interest  
25 shall be by electronic funds transfer, check, share draft, or other draft to the

1 registered owner at the owner's address as it appears on the register, unless the  
2 common council has otherwise provided. Information in the register is not available  
3 for inspection and copying under s. 19.35 (1). The common council may make any  
4 other provision respecting registration as it considers necessary or desirable.

5 (b) The common council may appoint one or more trustees or fiscal agents for  
6 each issue of appropriation bonds. The city treasurer may be designated as the  
7 trustee and the sole fiscal agent or as cofiscal agent for any issue of appropriation  
8 bonds. Every other fiscal agent shall be an incorporated bank or trust company  
9 authorized by the laws of the United States or of the state in which it is located to  
10 conduct banking or trust company business. There may be deposited with a trustee,  
11 in a special account, moneys to be used only for the purposes expressly provided in  
12 the resolution authorizing the issuance of appropriation bonds or an agreement  
13 between the city and the trustee. The common council may make other provisions  
14 respecting trustees and fiscal agents as the common council considers necessary or  
15 desirable and may enter into contracts with any trustee or fiscal agent containing  
16 such terms, including compensation, and conditions in regard to the trustee or fiscal  
17 agent as the common council considers necessary or desirable.

18 (c) If any appropriation bond is destroyed, lost, or stolen, the city shall execute  
19 and deliver a new appropriation bond, upon filing with the common council evidence  
20 satisfactory to the common council that the appropriation bond has been destroyed,  
21 lost, or stolen, upon providing proof of ownership thereof, and upon furnishing the  
22 common council with indemnity satisfactory to it and complying with such other  
23 rules of the city and paying any expenses that the city may incur. The common  
24 council shall cancel the appropriation bond surrendered to the city.

1 (d) Unless otherwise directed by the common council, every appropriation bond  
2 paid or otherwise retired shall be marked "canceled" and delivered to the city  
3 treasurer, or to such other fiscal agent as applicable with respect to the appropriation  
4 bond, who shall destroy them and deliver a certificate to that effect to the city clerk.

5 (8) APPROPRIATION BONDS AS LEGAL INVESTMENTS. Any of the following may  
6 legally invest any sinking funds, moneys, or other funds belonging to them or under  
7 their control in any appropriation bonds issued under this section:

8 (a) The state, the investment board, public officers, municipal corporations,  
9 political subdivisions, and public bodies.

10 (b) Banks and bankers, savings and loan associations, credit unions, trust  
11 companies, savings banks and institutions, investment companies, insurance  
12 companies, insurance associations, and other persons carrying on a banking or  
13 insurance business.

14 (c) Personal representatives, guardians, trustees, and other fiduciaries.

15 (9) MORAL OBLIGATION PLEDGE. If the common council considers it necessary or  
16 desirable to do so, it may express in a resolution authorizing appropriation bonds its  
17 expectation and aspiration to make timely appropriations sufficient to pay the  
18 principal and interest due with respect to such appropriation bonds, to make  
19 deposits into a reserve fund created under sub. (4) (a) with respect to such  
20 appropriation bonds, to make payments under any agreement or ancillary  
21 arrangement entered into under s. 62.621 with respect to such appropriation bonds,  
22 to make deposits into any stabilization fund established or continued under s. 62.622  
23 with respect to such appropriation bonds, or to pay related issuance or  
24 administrative expenses.



1           (10) APPLICABILITY. This section does not apply if a city does not issue  
2       appropriation bonds as authorized under sub. (2).

3           **SECTION 2.** 62.621 of the statutes is created to read:

4           **62.621 Agreements and ancillary arrangements for certain notes and**  
5       **appropriation bonds.** At the time of issuance or in anticipation of the issuance of  
6       appropriation bonds under s. 62.62, or general obligation promissory notes under s.  
7       67.12 (12), to pay unfunded prior service liability with respect to an employee  
8       retirement system, or at any time thereafter so long as the appropriation bonds or  
9       general obligation promissory notes are outstanding, a 1st class city may enter into  
10      agreements or ancillary arrangements relating to the appropriation bonds or general  
11      obligation promissory notes, including trust indentures, liquidity facilities,  
12      remarketing or dealer agreements, letters of credit, insurance policies, guaranty  
13      agreements, reimbursement agreements, indexing agreements, and interest  
14      exchange agreements. Any payments made or amounts received with respect to any  
15      such agreement or ancillary arrangement shall be made from or deposited as  
16      provided in the agreement or ancillary arrangement.

17          **SECTION 3.** 62.622 of the statutes is created to read:

18          **62.622 Employee retirement system liability financing in 1st class**  
19      **cities; additional powers. (1) DEFINITIONS.** In this section:

20           (a) "City" means a 1st class city.

21           (b) "Common council" means the common council of a city.

22           (c) "Pension funding plan" means a strategic and financial plan related to the  
23      payment of all or part of a city's unfunded prior service liability with respect to an  
24      employee retirement system.

1 (d) "Trust" means a common law trust organized under the laws of this state,  
2 by the city, as settlor, pursuant to a formal, written, declaration of trust.

3 (2) SPECIAL FINANCING ENTITIES, FUNDS, AND ACCOUNTS. (a) To facilitate a pension  
4 funding plan and in furtherance thereof, a common council may create one or more  
5 of the following:

6 1. A trust.

7 2. A nonstock corporation under ch. 181.

8 3. A limited liability company under ch. 183.

9 4. A special fund or account of the city.

10 (b) An entity described under par. (a) has all of the powers provided to it under  
11 applicable law and the documents pursuant to which it is created and established.  
12 The powers shall be construed broadly in favor of effectuating the purposes for which  
13 the entity is created. A city may appropriate funds to such entities and to such funds  
14 and accounts, under terms and conditions established by the common council,  
15 consistent with the purposes for which they are created and established.

16 (3) STABILIZATION FUNDS. (a) To facilitate a pension funding plan a common  
17 council may establish a stabilization fund. Any such fund may be created as a trust,  
18 a special fund or account of the city established by a separate resolution or ordinance,  
19 or a fund or account created under an authorizing resolution or trust indenture in  
20 connection with the authorization and issuance of appropriation bonds under s.  
21 62.62 or general obligation promissory notes under s. 67.12 (12). A city may  
22 appropriate funds for deposit to a stabilization fund established under this  
23 subsection.

24 (b) Moneys in a stabilization fund established under this subsection may be  
25 used, subject to annual appropriation by the common council, solely to pay principal

1 or interest on appropriation bonds issued under s. 62.62 and general obligation  
2 promissory notes under s. 67.12 (12) issued in connection with a pension funding  
3 plan, for the redemption or repurchase of such appropriation bonds or general  
4 obligation promissory notes, to make payments under any agreement or ancillary  
5 arrangement entered into under s. 62.621 with respect to such appropriation bonds  
6 or general obligation promissory notes, or to pay annual pension costs other than  
7 normal costs. Moneys on deposit in a stabilization fund may not be subject to any  
8 claims, demands, or actions by, or transfers or assignments to, any creditor of the city,  
9 any beneficiary of the city's employee retirement system, or any other person, on  
10 terms other than as may be established in the resolution or ordinance creating the  
11 stabilization fund. Moneys on deposit in a stabilization fund established under this  
12 subsection may be invested and reinvested in the manner directed by the common  
13 council or pursuant to delegation by the common council as provided under s. 66.0603  
14 (5).

15 **SECTION 4.** 66.0602 (3) (d) 5. of the statutes is created to read:

16 66.0602 (3) (d) 5. The limit otherwise applicable under this section does not  
17 apply to amounts levied by a 1st class city for the payment of debt service on  
18 appropriation bonds issued under s. 62.62, including debt service on appropriation  
19 bonds issued to fund or refund outstanding appropriation bonds of the city, to pay  
20 related issuance costs or redemption premiums, or to make payments with respect  
21 to agreements or ancillary arrangements authorized under s. 62.621.

22 **SECTION 5.** 66.0603 (1m) (f) of the statutes is created to read:

23 66.0603 (1m) (f) Subject to s. 67.11 (2) with respect to funds on deposit in a debt  
24 service fund for general obligation promissory notes issued under s. 67.12 (12), a 1st  
25 class city, or a person to whom the city has delegated investment authority under sub.

(5), may invest and reinvest in the same manner as is authorized for investments and reinvestments under s. 881.01, any of the following:

1. Moneys held in any stabilization fund established under s. 62.622 (3).

2. Moneys held in a fund or account, including any reserve fund, created in connection with the issuance of appropriation bonds under s. 62.62 or general obligation promissory notes under s. 67.12 (12) issued to provide funds for the payment of all or a part of the city's unfunded prior service liability.

3. Moneys appropriated or held by the city to pay debt service on appropriation bonds or general obligation promissory notes under s. 67.12 (12).

4. Moneys constituting proceeds of appropriation bonds or general obligation promissory notes described in subd. 2. that are available for investment until they are spent.

5. Moneys held in an employee retirement system of the city.

**SECTION 6.** 66.0603 (5) (intro.) and (a) of the statutes are amended to read:

66.0603 (5) DELEGATION OF INVESTMENT AUTHORITY IN CONNECTION WITH PENSION FINANCING IN POPULOUS CITIES AND COUNTIES. (intro.) The governing ~~board~~ body of a county having a population of 500,000 or more, or a 1st class city, may delegate investment authority over any of the moneys described in sub. (1m) (e) or (f) to any of the following persons, which shall be responsible for the general administration and proper operation of the county's or city's employee retirement system, subject to the ~~board's~~ governing body's finding that such person has expertise in the field of investments:

(a) A public board that is organized for such purpose under county or city ordinances.

**SECTION 7.** 67.01 (9) (intro.) of the statutes is amended to read:

1           67.01 (9) (intro.) This chapter is not applicable to appropriation bonds issued  
2           by a county under s. 59.85 or by a 1st class city under s. 62.62 and, except ss. 67.08  
3           (1), 67.09 and 67.10, is not applicable:

4           **SECTION 8.** 67.05 (5) (b) of the statutes is amended to read:

5           67.05 (5) (b) No city or village may issue bonds for any purposes other than for  
6           water systems, lighting works, gas works, bridges, street lighting, street  
7           improvements, street improvement funding, hospitals, airports, harbor  
8           improvements, river improvements, breakwaters and protection piers, sewerage,  
9           garbage disposal, rubbish or refuse disposal, any combination of sewage, garbage or  
10          refuse or rubbish disposal, parks and public grounds, swimming pools and band  
11          shells, veterans housing projects, paying the municipality's portion of the cost of  
12          abolishing grade crossings, for the construction of police facilities and combined fire  
13          and police safety buildings, for the purchase of sites for engine houses, for fire  
14          engines and other equipment of the fire department, for construction of engine  
15          houses, and for pumps, water mains, reservoirs and all other reasonable facilities for  
16          fire protection apparatus or equipment for fire protection, for parking lots or other  
17          parking facilities, for school purposes, for libraries, for buildings for the housing of  
18          machinery and equipment, for acquiring and developing sites for industry and  
19          commerce as will expand the municipal tax base, for financing the cost of  
20          low-interest mortgage loans under s. 62.237, for providing financial assistance to  
21          blight elimination, slum clearance, community development, redevelopment and  
22          urban renewal programs and projects under ss. 66.1105, 66.1301 to 66.1329 and  
23          66.1331 to 66.1337, to issue appropriation bonds under s. 62.62 to pay unfunded prior  
24          service liability with respect to an employee retirement system, or for University of  
25          Wisconsin System college campuses, as defined in s. 36.05 (6m), until the proposition

1 for their issue for the special purpose has been submitted to the electors of the city  
2 or village and adopted by a majority vote. Except as provided under sub. (15), if the  
3 common council of a city or the village board of a village declares its purpose to raise  
4 money by issuing bonds for any purpose other than those specified in this subsection,  
5 it shall direct by resolution, which shall be recorded at length in the record of its  
6 proceedings, the clerk to call a special election for the purpose of submitting the  
7 question of bonding to the city or village electors. If a number of electors of a city or  
8 village equal to at least 15% of the votes cast for governor at the last general election  
9 in their city or village sign and file a petition conforming to the requirements of s. 8.40  
10 with the city or village clerk requesting submission of the resolution, the city or  
11 village may not issue bonds for financing the cost of low-interest mortgage loans  
12 under s. 62.237 without calling a special election to submit the question of bonding  
13 to the city or village electors for their approval.

14 **SECTION 9.** 67.12 (12) (a) of the statutes is amended to read:

15 67.12 (12) (a) Any municipality may issue promissory notes as evidence of  
16 indebtedness for any public purpose, as defined in s. 67.04 (1) (b), including but not  
17 limited to paying any general and current municipal expense, and refunding any  
18 municipal obligations, including interest on them. Each note, plus interest if any,  
19 shall be repaid within 10 years after the original date of the note, except that notes  
20 issued under this section for purposes of ss. 119.498, 145.245 (12m), 281.58, 281.59,  
21 281.60, 281.61, and 292.72 issued to raise funds to pay a portion of the capital costs  
22 of a metropolitan sewerage district, or issued by a 1st class city or a county having  
23 a population of 500,000 or more, to pay unfunded prior service liability with respect

1 to an employee retirement system, shall be repaid within 20 years after the original  
2 date of the note.

3 (END)